

## **FISCAL NOTE**

### **HB 4129 - SB 4173**

March 3, 2008

**SUMMARY OF BILL:** Deletes current provision authorizing the first \$150 of annual club or community service organization membership dues to be exempt from state and local sales tax. Deletes bundling provision whereby deductions from taxable sale prices are authorized when taxable and exempt personal property are combined into a single product or piece of merchandise. Requires any rented or leased computer software, or repairs to or installation of rented or leased computer software, be subject to sales tax. Makes a technical correction to the current state and local sales tax exemption for kerosene sold when dispensed directly to the consumer through a metered pump for residential use.

### **ESTIMATED FISCAL IMPACT:**

**Increase State Revenue - \$965,700**

**Increase Local Revenue - \$310,400**

Assumptions:

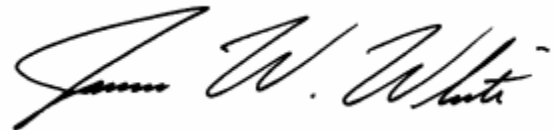
- The provision of this bill that deletes the first \$150 of club membership dues from sales tax is currently scheduled to take place on July 1, 2009. This bill moves that provision up one year to July 1, 2008. According to the Department of Revenue, such change is necessary to be in compliance with the Streamlined Sales Tax Agreement (SSTA). The Department indicates that this exemption currently authorizes health club membership dues to be exempt from sales tax under certain circumstances.
- According to DOR, and based on the 2002 Economic Census, Tennessee consumers spend approximately \$55,180,000 per year on health club membership dues.
- The average health club membership due is estimated to be \$600 per year (\$50 per month).
- The first \$150 represents 25 percent of the total annual membership due ( $\$600 \times 25\% = \$150$ ).
- The increase of taxable membership dues is estimated to be \$13,795,000 ( $\$55,180,000 \times 25\% = \$13,795,000$ ) per year.

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- The current state sales tax rate is seven percent.
- The increase of state revenue is estimated to be \$965,700 ( $\$13,795,000 \times 7\% = \$965,650$ ) per year.
- The local option sales tax rate is estimated to average two and one-quarter percent.
- The increase of local government revenue is estimated to be \$310,400 ( $\$13,795,000 \times 2.25\% = \$310,388$ ) per year.
- According to DOR, the deletion of the bundling provision is proposed for consistency with definitions adopted as part of the SSTA. DOR indicates this provision will have no impact on state or local government revenue or expenditures.
- DOR indicates that the provisions regarding computer software and kerosene simply provide additional clarification that such items are taxable and exempt respectively. Therefore, the Department has indicated these provisions will have no significant impact on state or local government revenue or expenditures.

#### **CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" written in a larger, more prominent script than the last name "White".

James W. White, Executive Director

/rnc